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PRIVATE UNIVERSITIES IN ONTARIO

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CONTENTS

INTRODUCTION 1

THE CONTEXT 1

DEFINING 'PRIVATE UNIVERSITIES' 1
- Privateness in Higher Education 2
- Ontario's Institutions 2

THE IMPETUS FOR PRIVATE UNIVERSITIES 4

ARGUMENTS FOR PRIVATE UNIVERSITIES 4
- Efficiency Arguments 5
- Quality Arguments 6
- Community of Values 7

ARGUMENTS AGAINST PRIVATE UNIVERSITIES 8
- Education as a Public Good 8
  - Absence of Market Conditions 8
  - Universities are Privatizing and Competing Already 9
  - The Destructiveness of Markets 10
  - Externalities 11
- Quality 13

BUCKINGHAM AND BOND 16

RECOMMENDATIONS IN ONTARIO 16

CONCLUSION 18

NOTES 19

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INTRODUCTION

While there is a considerable and growing literature in North America on private education at the elementary and secondary level, there is far less analysis of higher (postsecondary) education. This may in part reflect an assumption by Canadians that universities and colleges will be public institutions, while Americans perhaps take for granted the dual nature of their higher education system. In recent years, though, a variety of economic, ideological, and social pressures have been nudging the concept of 'private universities' onto the political agenda.

This paper examines the context for the increased attention private universities have been receiving in Ontario, the arguments presented for and against their establishment, the experience of private institutions created within largely public post-secondary sectors in Australia and Britain, and the recommendations by the last two bodies commissioned by the Ontario government to consider this issue.

THE CONTEXT

In Ontario, the issue of the status of universities as degree-granting institutions goes back at least to the early 1980s. In 1983, the Ontario government passed Bill 41, the *Degree Granting Act*, which established in law the monopoly of Ontario's universities over the granting of secular degrees. In recent years, the media have reported the efforts of individuals and companies to establish private degree-granting universities in Canada. Former Education Minister Bette Stephenson has been mentioned in this regard in Ontario, and former university administrator David Strangway in British Columbia. In November 1999, the following remarks by Ontario Premier Mike Harris were widely reported:

> We would welcome advice on whether we ought to allow those who seek to create private universities, fully funded by private money, with no taxpayer dollars, in the province of Ontario. That is an option we are looking at.[1]

These comments by the Premier generated considerable debate in the media concerning the merits or drawbacks of allowing such enterprises to operate in the postsecondary education sector. One issue that has not been made fully clear in much of the discussion is what the participants have understood by the term 'private university.'

DEFINING 'PRIVATE UNIVERSITIES'

In the article quoting Premier Harris cited above, the suggestion was made that the private institutions the government is considering would be "non-profit," a term that appeared in the headline and in the body of the article. A story appearing the same day in the *National Post* (headlined: "Private, for-profit university would be first to offer degree program"[2]), discussed the Apollo Group, the publicly traded corporation behind the

University of Phoenix, the largest for-profit university in the United States. The article further disclosed that Training, Colleges and Universities Minister Dianne Cunningham met with Apollo executives in October 1999. The institutions discussed in these articles represent, in fact, two very different approaches to private postsecondary education: the creation of high quality non-profit institutions providing traditional university programs, and the accreditation of for-profit schools offering degrees in subjects of great demand in the contemporary marketplace.

Privateness in Higher Education

There is a useful discussion in the academic literature about what constitutes 'privateness' in higher education.[3] Peter Karmel has categorized institutions of higher education on the basis of two scales. According to their constitution, institutions may be classified as:

> government department,
> statutory authority,
> non-profit corporation, or
> proprietary institution.

Institutions may also be classified according to their sources of income:

> government grant,
> private contracts and donations,
> tuition fees, or
> endowment income.[4]

To illustrate, public sector institutions in the U.S.—state universities and community colleges—are statutory authorities, relying on government grants and nominal tuition fees for their income. The bulk of the private universities (such as prestigious Ivy League institutions) are non-profit corporations whose operation is funded by high tuition fees, private donations and contracts, and endowment income. The Apollo Group's University of Phoenix and the well-known DeVry Institutes are examples of proprietary institutions which receive no public funding, and rely almost entirely on student fees for revenue (in many cases, these fees are paid by students' employers).

Ontario's Institutions

Ontario's eighteen degree-granting universities[5] are statutory authorities, and are widely regarded as public institutions because of the large proportion of their funding from government grants. As the 1989 OCUA *Discussion Paper*[6] points out: "These institutions are all private institutions in law and are self-governing, therefore autonomous."[7] The position that universities are private bodies and not governmental institutions was upheld by a majority of the Supreme Court of Canada in *McKinney v. University of Guelph* in 1990:

> The universities are legally autonomous. They are not organs of government, even though their scope of action is limited either by regulation or because of their

> dependence on government funds. Each has its own governing body, manages its own affairs, allocates its funds and pursues its own goals within the legislated limitations of its incorporation.

In strict point of fact, then, Ontario's existing chartered universities are non-profit institutions regulated and partially funded by the provincial government.

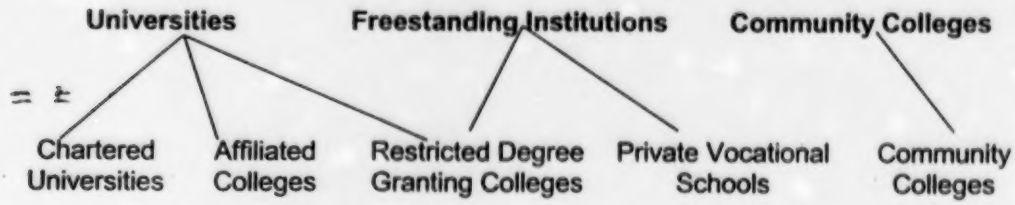
What distinguishes the not-for-profit universities proposed by Dr. Stephenson or Dr. Strangway is that these institutions would be wholly privately funded, largely through student tuition, and receive no operating or capital grants from the provincial government. These proposed institutions correspond to what the OCUA *Discussion Paper* calls 'freestanding institutions':

> institutions established by an act of the Ontario legislature, which grant their own degrees, which do not receive any direct capital or operating grants from the province of Ontario and which are not affiliated with an Ontario university.[8]

The only freestanding institutions in Ontario since the passage of *The Degree Granting Act* (1983) have been theological colleges granting identifiably religious degrees.[9] These institutions are currently referred to by the Ministry of Colleges, Universities and Training as "privately funded institutions with statutory restricted degree-granting authority;" there were twelve such institutions in 1989 and there are fourteen today (see the Ministry website at http://www.edu.gov.on.ca/eng/general/priv_deg.html). In 1985, Redeemer Reformed Christian College applied to the Ministry of Colleges and Universities to have its charter amended to change its name to Redeemer Reformed Christian University, and to be given unrestricted degree-granting power. It was this request that occasioned the Ministry reference to the Ontario Council of University Affairs that resulted in the 1989 *Discussion Paper*.

There are also hundreds of registered private vocational schools in the province, some of which call themselves 'colleges'. These are commercial (for-profit) enterprises that receive no public operating or capital funding.[10] (For a complete list see the Ministry website at http://www.edu.gov.on.ca/eng/general/list/pvs.html .) Many of the private for-profit universities operating in the U.S. are (or would be regarded as) private vocational schools if operating in Ontario. The largest for-profit U.S. post-secondary institution, the University of Phoenix, tends to offer courses in business administration, health care, counselling, and information technology (see their website at http://www.uophx.edu/uop/_program.htm).

The universe of higher education in Ontario is roughly as follows:



The introduction (and/or expansion) of 'private universities' in Ontario can be understood as moving in one or both of two possible directions:

1) the creation of not-for-profit elite schools, emulating the finer private non-profit foreign institutions; or

2) the upgrading and/or accreditation of established and reputable private for-profit vocational schools.

What both scenarios share is the establishment of post-secondary institutions wholly funded by the private sector, in all likelihood mainly by unregulated student tuition fees.

The Impetus for Private Universities

A variety of factors motivates those who call for the creation of private universities of the types just discussed:

- fiscal constraints have caused public administrators to look for alternative, cheaper ways to finance higher education;
- disillusionment with the existing system and/or pro-market ideology has convinced some that what they perceive as serious problems with postsecondary education can only be addressed through privatization;
- the perception that private postsecondary education is a service sector with significant potential for profitable growth has attracted education entrepreneurs; and
- the desire for graduates trained in focused skill sets has disposed employers to support institutions promising to deliver this type of education.

In 1989, the OCUA noted that "while consideration of the issue has stimulated debate in a few interested quarters, the discussion has not spread to the wider public," an observation that may still hold today.[11]

Arguments for Private Universities

The arguments advanced on behalf of private universities come in many forms, but largely centre on two themes: efficiency and quality.

Efficiency Arguments

Advocates for private universities argue that since funding is from non-governmental sources, principally student tuition, private universities must maximize their efficiency in order to keep the price of their product affordable. Being fully subject to the discipline of market forces, private institutions are forced to achieve efficiencies that public institutions, with their relatively constant flow of government grants, have less motivation to realize.

In turn, it is argued that the emergence of an efficient private postsecondary sector would have several beneficial results:

- add greater capacity to the postsecondary system without additional expenditure of public dollars;
- allow current government expenditure on higher education to deliver greater impact because of the enrolment removed from the public postsecondary sector (i.e. more dollars per student);[12]
- provide competition to public universities and stimulate them to operate more efficiently.

An extended treatment of this theme is provided in the 1995 paper "Reforming the Universities," prepared by Professor E. G. West for the Atlantic Institute for Market Studies.[13] Among Professor West's other conclusions:

- "higher educational establishments with no government support whatever offer degree courses that are completed in much less time than those in the public universities" (p. 1);
- "Since ... the main cost of education is that of the students' forgone earnings, it might be predicted that private universities especially, would be better motivated to economize on students' time" (p. 21);
- "in practice, there is little effective external control on the internal authorities that run the [public] educational institutions" (p. 20); and
- "Because the government funding is linked directly to the number of public university students, university managers divert resources toward enrolment and away from instruction. The result is larger classes, lower admission standards, and less preparation for the classroom by instructors." (p. 21)

In general, West suggests there is a lack of accountability within public universities: "the higher education industry is one in which those who consume its product do not purchase it; those who produce it do not sell it; and those who finance it do not control it,"[14] and points to the more efficient practises of private universities such as the University of Buckingham in the United Kingdom, and the DeVry Institutes in the United States. Professor West also argues that a private university sector will be better able than "government planning bodies" to "respond to the constantly changing needs of ... postsecondary education and research." (p. 1)

Quality Arguments

A second but not unrelated set of arguments is that private universities can offer a superior education to that provided by public institutions. One form of this argument is that private universities can be elite institutions such as Harvard, MIT, Oxford, etc., providing top quality education to those willing and able to pay for it. This argument has not been a large part of the current debate, in part because these latter institutions are non-profit entities, and in part because their exclusivity raises questions of accessibility. A press story in January 1999 reported that McGill University was considering opening a private institution that would provide "a quality education in the arts and sciences to a worldwide clientele," for tuition of almost $30,000 per annum.[15]

A more common argument is that the flexibility and efficiency that the market requires of private institutions would produce a better educational product. As Peter Karmel (who does not argue for a full market system) has put it:

> A shift to a market mode would, to the extent that labour and capital markets permit, tend to diversify the product and diversify the institutions. It would tend to adjust course enrolments to student demand. It would act as a spur to academic efficiency and effectiveness.[16]

In a November 1999 article in the *National Post*, Martin Loney offered an unflattering portrait of what the lack of exposure to market forces has meant for publicly funded universities: "it is impossible to identify any other contemporary occupation that requires of its practitioners such minimal performance, while affording such generous salaries."[17] By innuendo and implication, Loney suggested that private universities would impose greater discipline and accountability on academic staff and improve the quality of the education provided to students.

Writing at the same time, John Ibbitson argued in the *Globe and Mail* that "Private-sector competition represents a direct challenge to the complacent monopoly of public-sector university education, to the sinecure of tenure, to the arrogance of a system that happily relies on taxpayer dollars for 40 per cent of its funding while declining to hold itself accountable to the taxpayer for that investment."[18]

Some examples of the flexibility of private universities are the willingness, noted above, to offer fast-tracking (accelerated completion of degrees by scheduling more terms per year, etc.), to provide distance education and, in what is likely to be an increasing trend, to deliver entire programs online. Michael Taube reports that at the University of Buckingham, students complete two-year undergraduate degrees (as opposed to the normal three years) by studying through the summer months, and that the student-staff ratio is 10-to-1, "leading to smaller classes, tutorials, and more one-on-one teaching throughout the academic term."[19] Similar claims are made for Australia's private Bond University.

The applicability of these arguments may be somewhat diminished for elite non-profit institutions, where tenure and other common university practices persist. These schools

may not be more efficient, but rather able to attract a clientele willing to pay for the privilege of becoming one of their alumni. The 'competition-spurs-efficiency-and-effectiveness' argument may be more relevant to the for-profit private sector.

Most recently, a new private university, Unexus, began operations as an online, degree granting institution based in Fredericton. Twelve students began orientation classes on January 17, 2000 for a 2½ year master's degree in business administration that will be offered entirely on the Internet for a cost of $25,000 (compared to $55,000 to $85,000 for an MBA at an Ontario university).[20] Unexus is owned and operated by Learnsoft Corporation of Ottawa.

These examples suggest there is some truth to the observation of a senior vice-president of the University of Phoenix, namely that "We serve the working population. We see little conflict with the mission of the traditional university."[21] The existing clientele of institutions such as Phoenix is not the graduating classes of secondary schools, but working employees seeking to upgrade their qualifications or retrain for another occupation. In many cases, corporations such as Kodak and AT&T pay institutions such as Phoenix to train their employees.

Community of Values

Another long-standing argument for private universities, but one less in the forefront of recent discussions, has been the desire to preserve a community of values within the context of a university campus. Considering arguments along these lines, the OCUA Green Paper observed:

> The diversity in programs and philosophical approach that freestanding, secular degree-granting institutions might offer could be of a complementary or supplementary nature to programs offered by existing publicly-funded institutions. ... Students could attend institutions catering to specific cultural, religious or specialized needs without leaving the province or purchasing the program in Ontario from a foreign or out-of-province institution.[22]

Until recently, the only Ontario universities that could promote such a community of values were denominational colleges affiliated with Ontario's public universities. Affiliation allows the students of denominational colleges to receive secular degrees, but the price of affiliation is that the affiliating colleges must conform to the practises of the secular university with which they become partners. A notable case in this regard was the experience of St. Augustine's Seminary, which refused in the late 1980s to comply with the University of Toronto's policy on academic freedom. In response, the University severed its ties with St. Augustine's in 1988 and the seminary lost the benefits—funding, the ability to confer university degrees, library privileges for its students, etc.—which had come with affiliation. (St. Augustine's affiliation with the

University was restored in 1989.) It is also entirely up to the universities whether or not to choose to affiliate with sectarian institutions.

Theological schools unwilling or unable to secure affiliation with an existing university have operated as freestanding, private institutions, limited to offering identifiably religious degrees. For those institutions whose main purpose is to train pastors or priests, this is not necessarily problematic, but some schools seek to offer a typical undergraduate liberal arts or science programme within the context and commitments of their particular faith community. For example, Redeemer Reformed Christian College of Ancaster has long sought the ability to grant secular degrees. Until 1998, Redeemer could only confer a Bachelor of Christian Studies degree, and the argument has been that such an obviously sectarian degree disadvantages its students. The Advisory Panel on Future Directions for Postsecondary Education (hereafter Advisory Panel) argued in 1996 that "with respect to degree-granting authority and degree designation for denominational colleges, we believe that their distinctive and important studies should continue to carry theological, religious, or restricted degree designations, unless such colleges affiliate with a university."[23] Part of the issue is whether or not Redeemer College should be considered a denominational school.[24] In June 1998, the Ontario legislature passed Bill Pr17, which allows Redeemer to confer Bachelor of Arts and Bachelor of Science degrees, giving it a unique place among Ontario's private and non-affiliated institutions. In turn, Redeemer agreed to be reviewed each seven years by the Council of Ontario Universities and not to seek provincial funding.[25]

Redeemer College is lobbying to have its name changed to Redeemer University College, in a further effort to establish its credibility. The permission to grant ordinary B.A. or B.Sc. degrees has already led to an increase of over 23% in enrolment for the 1999-00 year.[26] The same source notes that eleven other similar private degree-granting institutions exist in the country: four in Alberta, six in B.C., and one in Nova Scotia.

Arguments Against Private Universities

The arguments made against the policy of allowing private universities are, if anything, broader than those of the proponents, but most of them may be considered under two headings: education as a public good, and the quality of postsecondary education.

Education as a Public Good

The various arguments advanced under this heading share the view that education is not (or should not be) a commodity, nor is it something best delivered and allocated by market forces. On this understanding, education is a public good. While the market may be the optimal means of producing and allocating private goods to consumers, it cannot be relied upon to deliver public goods in the most appropriate manner.

Absence of Market Conditions

The argument that private universities will deliver a more efficient and effective product rests on classic assumptions about the benefit of competition in the marketplace:

> The optimal properties depend on there being certain conditions obtaining in the market: active competition among a number of suppliers (universities and colleges), none of whom dominate the market (competition), a high level of knowledge on the part of consumers (students) about the services (education) the market is offering (in the extreme case, perfect knowledge); mobility of labour (academics), that is, workers can be readily hired and fired; access to capital for expansion of successful enterprises; mobility of consumers among suppliers. In brief, the optimal properties are realized only if the market works as in a theoretically competitive market. Moreover, there must be no externalities, that is, all the benefits of buying the service (education) accrue to the person buying it; there are no benefits accruing to society for which the consumer does not pay.[27]

As Karmel goes on to point out, in the real world of postsecondary education, these optimal properties do not hold. The necessity of securing academic freedom within the universities lies behind tenure, which contributes to a large immobility in labour. Universities typically do not have ready access to capital markets. In addition, Karmel observes "the lack of market knowledge and mobility among students."[28] In reply, of course, proponents of privatizing postsecondary education call for the abolition of tenure and other impediments to market optimality. This however, would accelerate concern about the quality of higher education that would result. One of the primary concerns of the supporters of public education is that there is a trade-off between efficiency and quality: the greater the efficiencies achieved in education delivery, the more compromised the quality of the product.

Universities are Privatizing and Competing Already

A second argument might well concede that competition could serve to rouse universities from complacent mediocrity, but points out that the private market is not necessary to accomplish this. As universities have had their government grants frozen or reduced, they have been forced to innovate, to compete for private donations and endowments, and to raise student tuition fees to levels that should make students into more discerning consumers of the university product. Details of the changing face of university finance in Canada are found in the *CAUT Education Review* issue "Not in the Public Interest: University Finance in Canada: 1972-1998." For Ontario, the picture over the last decade has been one of rising student tuition and private donations and declining government grants as a share of the total revenue:

Table 1
Sources of Ontario University Funding

Source of Fund	1992-93 ($m)	(%)	1997-98 ($m)	(%)
Ontario gov't	2,236	*52.8*	1,785	*39.6*
Student fees	834	*19.7*	1,255	*27.8*
Donations*	286	*6.8*	502	*11.1*
Other**	879	*20.8*	968	*21.5*
TOTAL	4,235	*100.0*	4,510	*100.0*

* includes non-government grants and contracts

** includes federal and municipal government grants, sales of services and products, investment income and miscellaneous revenue.

(Source: *Ontario Universities – 1999 Resource Document* and author's calculations)[29]

While there are limits to the ability of Ontario's universities to increase their government funding by simply increasing their enrolment, these universities cannot afford to *lose* enrolment share and the funding that accompanies it. Hence the very real importance of national rankings and other measures of university performance, regardless of what administrators might say publicly about such rankings or the reservations many have about the methodologies used to derive them.

In short, the argument is made that Ontario universities have already become much more competitive and innovative in response to the challenges of reduced public funding. At the same time they have managed not to surrender many of the attributes of the university (diversity, comprehensive programs, pure research, guarantees of academic freedom) which a private university sector might not promote.

The Destructiveness of Markets

A third set of concerns is that the competitiveness of private institutions is antithetical to many of the behaviours and/or values that are intrinsic to the university. As noted, achieving efficiency in labour costs is inconsistent with tenure (which is defended as necessary for securing academic freedom), and any emphasis on being 'marketable' might bring its own threat to academic freedom. It is argued that the university does not function without collegiality, both within the institution among members of faculty and staff, and within the system between institutions.[30] The competitiveness of private markets might threaten collegiality at both levels. The kinds of quantitative performance measures favoured within the business world might be difficult to adapt appropriately to academic activity, and should they be employed, could pit colleague against colleague, department against department, and institution against institution. To some degree this has already happened within the public universities as they have adapted to the realities of reduced funding. As the Advisory Panel noted, universities "have an enormous social responsibility for the creation and critical transmission of knowledge that places unique obligations on its governing body and governance structures that may be fundamentally

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inconsistent with the obligations of a 'for-profit' organization to shareholders or owners."[31]

Externalities

Another set of arguments addresses the externalities associated with postsecondary education (an externality being a benefit or premium that does not accrue simply to the consumer of the product). It is axiomatic in classical economic theory that market producers cannot be relied upon to deliver goods which have positive externalities, or to refrain from producing goods with negative externalities.[32] To secure achievement of positive externalities or the elimination of negative externalities is acknowledged as a justification for state activity in a market economy. Karmel gives the example where private universities might seek to capitalize on the public demand for health care and the attractiveness of physicians' income by opening up spaces in their medical faculties to meet the level of demand from aspiring students. The problem is not simply that this could lead to a glut of doctors (which would, in theory, be self-correcting over time), but that the increased supply of physicians would exert greater pressures on the public purse by generating associated health care expenditures. In this case, the public good requires regulation of the number of health care professionals that the university system produces.

Equity (i.e. fairness) is a positive externality which many believe should be strongly associated with postsecondary education. A concern in recent years has been that rising student tuition makes it harder to guarantee that there will be a university place for every qualified and aspiring Ontario secondary school graduate.[33] Some may simply, by virtue of family or personal income, no longer be able to afford higher education. The emergence of a private university sector could give rise to further equity issues. One fear is that prestigious private institutions with correspondingly hefty tuition would create an elitist system where the quality of education becomes dependent on income. Tuition at private (non-profit) universities in the U.S. varies greatly, from about $30,000 (Cdn.) at Harvard, to about $8,593 (Cdn.) at Madonna University in Michigan.[34] Tuition at Redeemer College is currently $8,600, compared to the Ontario university average of $3,872 for an undergraduate degree. According to the Council of Ontario Universities *Resources Document 1998*, the average tuition costs for Ontario research and doctoral level universities and their counterparts in eight Great Lakes states in 1998-99 were as follows:

Table 2
Tuition Costs: Ontario and U.S. Universities

	Minimum	[illegible]	Maximum
Ontario Universities	$3,551	[illegible]	$4,000
Great Lakes States Public Universities	$3,324	[illegible]	$6,424
Great Lakes States Private Universities	$5,952	[illegible]	$26,187

Ontario figures in $Canadian and U.S. figures in $U.S.

inconsistent with the obligations of a 'for-profit' organization to shareholders or owners."[31]

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Table 2
Tuition Costs: Ontario and U.S. Universities

	Minimum	Average	Maximum
Ontario Universities	$3,551	$3,736	$4,000
Great Lakes States Public Universities	$3,324	$4,415	$6,424
Great Lakes States Private Universities	$5,952	$17,018	$26,187

Ontario figures in $Canadian and U.S. figures in $U.S.

A similar fear is that the existence of private universities would eventually lead to a two-tier system where private wealth funds a set of high quality elite schools, while government grants support a second-rate system of publicly accessible institutions. As noted above, proponents of private universities tend to argue that their entry into the system will attract students but not dollars from the public institutions, thus enhancing the effectiveness of government grants within the public university sector. Critics argue that instead, one or both of two things will happen. One is that governments will see or use the existence of private universities as an excuse to make further cutbacks in the funding of public universities.

The second possibility—and its likelihood is substantiated by evidence elsewhere—is that private universities which currently make no claim on the public purse will eventually demand their share of government funding. To some degree this happens now: the Ontario government guarantees student loans to students attending private institutions, including freestanding colleges such as Redeemer College and private vocational schools such as the Herzing Institutes. According to the Ontario Student Assistance Plan website, there are over 4,000 institutions approved for this plan. Given that the government of Ontario guarantees these loans (and therefore must compensate lending institutions for any amounts in default), and that students whose need is greater than $7,000 per annum have this extra amount converted to a grant after one year, the student loan program constitutes a public subsidization of private postsecondary institutions, non-profit and for-profit. A press release from the Ministry of Training, Colleges and Universities shows that the highest rate of default on student loans for both 1998 and 1999 was with students at private vocational schools (31.0% and 34.5%), as compared with those attending colleges (20.1% and 25.4%) and universities (8.4% and 12.3%).[35] Should student assistance (OSAP) be available to students at for-profit private universities, further equity questions would likely be raised.

In the United States, federal policy for research funding is 'neutral' between public and private universities. However, given the elite nature of private universities and their correspondingly stronger research programs, they actually receive 50% more federal research money than their public counterparts.[36] In California, despite a constitutional prohibition on direct state support for private institutions, "about 85% to 90% of state scholarship money goes to students attending private universities."[37] What is at stake here depends greatly on the nature of the private universities in operation. The public subsidy of essentially non-profit institutions, as most elite U.S. universities are, is different than the public subsidy of commercial operations. In the latter case, the general public is being taxed to sustain corporate profits.

Examining the evidence on this issue, the OCUA *Discussion Paper* concluded that:

> Whatever the protestations to the contrary, and however solemn the self-denying ordinances might be, given the extraordinary costs associated with high quality university education, freestanding institutions will almost certainly request public assistance.[38]

Quality

Implicit in many of the arguments against private universities informed by the perspective that education is a public good, is the fear that the quality of education will suffer under a privatized postsecondary system or within a dual sector system of higher education. One of the concerns raised by the Advisory Panel was that any extension of degree-granting privileges be made only "at standards that will not devalue the reputation of an Ontario degree."[39]

This paper has noted that private universities can be established with at least two different kinds of purposes. At the 'high end' are the elite or prestigious schools, seeking to provide a more or less traditional university education of the highest quality and to establish a corresponding reputation that will attract the students willing to pay for such a quality education. These are schools which, in other countries, are the most handsomely endowed, attract the largest level of corporate and government research funding, and charge the highest student tuition. In return, this gives them the resources to attract the brightest and best of the academic community, in almost any field. While this provides a very high quality education for some, usually at considerable cost, it also diminishes what can be expected in terms of the quality of education provided at other, less well funded institutions. In this sense, the concern about a two-tier system is not simply about access, but about the differential quality that differential access provides. It is one thing if elite schools are *in addition* to high quality public institutions; it is another if their creation diminishes the quality of what is available to the broader public.

At the other end, so to speak, are the for-profit universities with largely (but not exclusively) business and vocational programs. The quality of education that some of these offer is very high; in other cases it may be questionable. It is instructive to note the rationale that was behind the policy of giving provincially-assisted universities a monopoly to grant secular degrees (through the fore-mentioned *Degree Granting Act* introduced by the Conservative government in 1983):

> Consumer protection as well as the protection of the academic reputation of the provincially-assisted universities were the foremost concerns at the time.[40]

The Honourable Bette Stephenson, then Minister of Colleges and Universities, made the following comments to open Second Reading debate on Bill 41 (the *Degree Granting Act*):

> Mr. Speaker, I would like to reiterate at this time my conviction regarding the absolute need for this piece of legislation. ... The boundaries of the authority to grant degrees were defined by the inclusion of this power in the statutory charters of each of the institutions granted that capability; but it has now become visible and quite obvious there is no legal authority to exclude other individuals or other institutions within this province from granting degrees in Ontario. I believe it would

> serve the public interest to limit the operation of universities and degree-granting institutions in this province to those institutions having charters which this Legislature has seen fit to grant or that have, on the other hand, appropriate academic accreditation or authority from other recognized jurisdictions.[41]

Speaking next, Mr. Sean Conway (Liberal) wholeheartedly endorsed the Minister's remarks:

> I want to say at the outset that it is certainly my position ... that we ought in this province to look at ways and means of protecting the public against some of the degree mills and against the proliferation of the so-called fly-by-night institutions to which the good doctor made reference in her opening remarks.[42]

Dr. Stephenson is currently part of a consortium seeking approval for a non-profit university (to be called Wolfe University) that would specialize in engineering, information technology and science.[43]

One concern raised about the lower end, for-profit schools is the scope of their programs. Their range of program offerings and curricula tends to be more narrowly focused, in many cases specializing in the skills that are currently in high demand in the market place. In his study of private universities, Dr. West was quite explicit in focusing on "those particular university disciplines (such as electrical engineering, industrial engineering, computer science, etc.) that are most relevant to the needs of international competition. These subjects, which can be more appropriately defined as areas of 'professional training', are separated from those courses (such as the humanities and basic science) that have traditionally delineated the boundaries of the classical university."[44]

Private for-profit universities such as the University of Phoenix, Unexus, or the DeVry Institutes in the U.S. appear to target similar areas of 'professional training', unlike the elite schools which continue to provide solid programs in the humanities and sciences. Again, this suggests the possibility of a fragmented postsecondary system in which the distinction between applied and pure education increasingly mirrors that between applied and pure research. As private and corporate dollars move toward the former, the value and viability of the latter may be put in doubt, particularly if governments encourage the privatization of higher education. Critics of these developments argue that the university has been (and ought to be) about more than professional training: that the university ideally balances the applied skills of particular vocations with critical capacities and broader knowledge from the humanities, social sciences and pure sciences. A university which lacks these latter programs is, from this perspective, not truly a *universi*ty. As the Advisory Panel noted in its report:

> privately-financed, for-profit universities ... tend to provide "niche" programming. In our view, narrow program offerings are not characteristic of the kind of institutions that we envisage as universities. We believe that, by definition, a university must offer, at a minimum, a reasonable range of arts and science programs and be engaged in teaching, research and community service.[45]

Economist Chris Sarlo, an associate professor at Nipissing University and adjunct scholar with the Fraser Institute, assesses the prospects for private, for-profit universities thus:

> What about the possibility of private, for-profit universities? My own view is that universities are likely to stay in the not-for-profit realm. Professional training could be operated for profit, but most of what goes on in a university will not be attractive to profit seekers. Pure research, especially that which involves the consideration of interesting but wholly non-commercial ideas, is incompatible with a profitable enterprise. The idea of collegiality is not consistent with most business operations, which tend to have a clear hierarchical structure. More to the point, for-profit enterprises will engage in directed research and the acquisition of specific knowledge by employees. They will have no interest in the free and independent academic. Nor will they have an interest in disciplines and programs that do not make a profit even though, in a traditional university setting, these disciplines and programs are indispensable parts of the whole. As long as society puts a high value on the essential characteristics of the university, that is to say, freedom, diversity, and independence, universities are likely to remain non-profit institutions.[46]

Implicit in this assessment, as stated by more direct criticisms of the private for-profit university project, is the fear that the virtues of a general education are not understood by education entrepreneurs, and that such an education might be lost if private universities are allowed to flourish. On this view, an education system that becomes primarily about professional and vocational training risks responding only to the loudest and most current demands of the marketplace, delivering an education that serves immediate employer needs, but not necessarily the long term needs and interests of the wider community. Once again, the debate comes back to the purposes that the higher education system is expected to serve.

BUCKINGHAM AND BOND

Advocates of private universities sometimes point to the examples provided by the University of Buckingham in the United Kingdom, and Bond University in Australia. Both are freestanding, non-profit corporations operating as independent universities receiving no government funding, and as such are unique within each country's national university system. Buckingham has been in operation since 1976 and Bond since 1989. Both have struggled at times to make ends meet, and neither seems to have inspired any imitators within their own systems. Each boasts of one of the lowest faculty to student ratios in the country, and each has a unique semester system that allows fast-tracking of degrees. In each case, business and applied degree programs predominate. Typical degrees at Buckingham include bachelor's degrees in International Tourism, International Hotel Management, and Information Systems; typical degrees at Bond include a Bachelor of Child Care, a Bachelor of Hospitality Management, and a Masters of Pain Management.

Education is not cheap at either institution. Undergraduate tuition at Buckingham is currently £2,499 ($5,866 Cdn.) per term. Each year of the two year degree program consists of two semesters of two terms each; total tuition for an undergraduate degree is therefore in the neighbourhood of $ 47,000 (Cdn). Total cost of undergraduate programmes at Bond is $51,6000 to $98,000 (Au.) or $48,483 to $92,081 (Cdn). Describing the student body at Buckingham, Professor West noted its "special appeal" to the following groups:

- Mature students in their mid 20s or older who had not previously gone to university;
- Students intending to enter professions such as law or accounting;
- Students from such countries as Germany where first degree courses take as long as 5 years and drop-out rates are high; and
- Students from non-EC countries, for whom Buckingham's fees are lower than at other British universities.[47]

The Advisory Panel noted in its report that "In other countries with well-developed public university systems like Ontario's, the recent introduction of private universities seems to have had very little impact."[48] Such an observation suggests that the introduction of a non-profit private university might pose little danger to the wider university system in Ontario; it also suggests that the likelihood of such an institution providing an alternative model of higher education delivery, or of serving as a catalyst for reform of the system at large might be similarly limited.

RECOMMENDATIONS IN ONTARIO

The OCUA *Discussion Paper* of 1989 declined to recommend for or against allowing freestanding institutions to grant secular degrees, calling instead for public input on the question. Nonetheless, in the event of a decision to allow freestanding institutions to have the status of university and grant secular degrees, the Council made the following recommendations:

1. Government is responsible for providing adequate access to university education in Ontario.

2. It is consistent with the foregoing that privately-funded freestanding secular degree-granting institutions should also be permitted on the condition that they offer university-level education of Ontario quality.

3. New freestanding, secular degree-granting institutions should not be eligible for provincial capital and operating grants.

4. Students would be eligible for OSAP benefits and tuition taxation exemptions.

5. Access to provincial operating and capital funding should continue to be dependent upon affiliation with existing publicly-assisted secular degree-granting institutions.

6. The term 'university' shall only be extended to freestanding institutions with governing structures and objectives similar to those of the provincially-assisted universities.

7. No religious test should be required of any professor, lecturer, teacher, officer, employee, servant or student of an institution offering secular degrees.

8. Secular degree-granting institutions must subscribe to principles of academic freedom.[49]

In July 1996, Minister of Education and Training John Snobelen appointed the Advisory Panel on Future Directions for Postsecondary Education. The Panel's mandate included advising the government on "ways to meet expected levels of demand for postsecondary education, with reference to existing public institutions and existing or proposed private institutions."[50] The Panel was chaired by David Smith, principal emeritus of Queen's University, and also included Fred Gorbet, senior Vice-President of Manulife Financial; Catherine Henderson, president of Centennial College; Bette Stephenson, former Minister of Education and of Colleges and Universities; and David Cameron, chair of the political science department of Dalhousie University.

In its December 1996 report entitled: *Excellence, Accessibility, Responsibility*, the Advisory Panel presented a brief discussion of the topic of private universities under the heading 'A Limited Role for Privately-Funded Universities.' The report discusses many of the issues addressed earlier in this paper, and the Panel came to the conclusion that while private, not-for-profit universities might be permitted under certain circumstances, 'for-profit' institutions should not be allowed to operate as universities (i.e. grant secular degrees) or use the name 'university'. The final recommendation of their report on the future of postsecondary education addressed private post-secondary institutions:

> We recommend that Ontario's policy precluding the establishment of new, privately-financed universities be amended to permit, under strict conditions, the establishment of privately financed, not-for-profit universities with the authority to grant degrees with a secular name. Strict conditions and standards must apply to institutional mission and governance

> structures; institutional and academic quality, as determined by nationally or internationally recognized peer review; financial responsibility; and protection of students in the event of institutional failure.[51]

Some of the 'conditions and standards' the Panel had in mind are found in the body of the Report:

- structures of governance respecting academic freedom and collegial decision-making;
- faculty resources dedicated to teaching at the highest level of quality;
- faculty educated and trained to engage in original research in an institution committing significant resources to research;
- faculty resources capable of offering a broad range of honours or specialist programs in core arts and science disciplines;
- human and other resources of a quality comparable to those of the existing provincially-assisted universities.[52]

CONCLUSION

As this paper has presented them, the arguments both for and against private universities are complex and involve a number of competing claims that cannot simply be measured empirically. Private universities may mean different things within different countries and depending on whether they are commercial or non-profit organizations. Roger Geiger has written that "private control of universities and colleges possesses neither absolute virtue nor absolute evil. Trade-offs exist on numerous issues, and different societies choose to emphasize different results."[53]

Part of what is at issue in the entire debate is what 'the university' represents. If it is a particular type of education and environment, then much that accompanies the operation and philosophy of for-profit universities seems at odds with the traditional university (whether public or private non-profit). If the term 'university' is instead a means of providing legitimacy or credibility to post-secondary education that meets a certain acceptable standard of quality, then there is no reason that non-traditional programs and non-traditional methods of delivery should disqualify institutions from the use of the title. What still needs to be addressed, and was the original concern of the Ontario government in regulating this issue in 1983, is the means by which quality is assured in the programs offered by institutions recognized as universities.[54] As the Advisory Panel concluded in its Report:

> It is essential to the integrity of the postsecondary enterprise that Ontario not succumb to pressures for the extension of degree-granting privileges in a way that will eventually make it a perceived haven for degree mills, a repository for programs of inferior quality and a producer of university graduates of substandard quality.[55]

NOTES

[1] John Ibbitson, "Harris weighing whether to open the door to private, non-profit universities," *Globe and Mail*, 18 November 1999.
[2] Joan Walters, "Private, for-profit university would be first to offer degree program," *National Post*, 18 November 1999, A9.
[3] See particularly Daniel C. Levy, "'Private' and 'Public': Analysis Amid Ambiguity in Higher Education," in Daniel C. Levy, ed. *Private Education: Studies in Choice and Public Policy* (Oxford University Press: New York, 1986), pp. 170-92.
[4] Peter Karmel, "Private Initiatives in Higher Education," in David R. Jones and John Anwyl, editors, *Privatizing Higher Education* (The University of Melbourne: Melbourne, 1987), pp. 1-2.
[5] This includes the Ontario College of Art and Design, but not the federally supported Royal Military College.
[6] Ontario Council on University Affairs, Institutional Policy Committee, *A Discussion Paper on the Issue of the Establishment of Freestanding Secular Degree-Granting Institutions in Ontario*, (OCUA: Toronto, 1989). This paper was written in response to a reference from the Minister of Colleges and Universities on whether the provincial policy "prohibiting the organization of new privately-funded universities granting conventional degrees" should be changed. (p. i)
[7] Ibid., p. 1.
[8] Ibid., p. 2.
[9] "Privately-funded, religiously-based colleges, seminaries and bible colleges may obtain charters but only to grant specialized or restricted degrees which indicate the religious character of the instruction provided." Ibid., p. i.
[10] According to the Ministry of Training, Colleges and Universities: "Private vocational schools are privately owned and are operated as commercial enterprises. They must be registered under the ***Private Vocational Schools Act***, administered by the Ministry of Education and Training. Registration of a school under the Act means that it has met the minimum requirements set out in ***Regulation 939***, as amended under the Act, regarding curricula, teacher qualifications, advertising, and refund policies. As potential consumers, students must take the same care and precautions when choosing a program as they would take when making any other major purchase." Ministry website at http://www.edu.gov.on.ca/eng/general/private.html accessed on 27 November 1999.
[11] Ibid., p. 3.
[12] See for example, Michael Taube, "The case for private universities," *Ottawa Citizen*, 06 January 2000, p. A15: "the lower the number of students we have in the public education system, the larger the pool of resources will be for them."
[13] Atlantic Institute for Market Studies. *Reforming the Universities: The Coming Upheaval in Higher Education in Nova Scotia and Elsewhere*. By Edwin G. West. (The Institute: Halifax, 1995).
[14] J.M. Buchanan and N.E. Devletoglou, as paraphrased in West, *Reforming the Universities*, p. 20.
[15] "McGill ponders private school," *Kitchener-Waterloo Record*, 19 January 1999, A3.
[16] Peter Karmel, "Private Initiatives in Higher Education," in David Jones and John Anwyl eds., *Privatizing Higher Education*, (University of Melbourne: 1987), p. 9.
[17] Martin Loney, "Privatize the academic sandbox," *National Post*, 29 November 1999, p. A16.
[18] John Ibbitson, "Harris weighing," *Globe and Mail*, 18 November 1999.
[19] Michael Taube, "The case for private universities," *Ottawa Citizen*, 06 January 2000, p. A15.
[20] Chris Morris, "Cyber U goes online for MBA," *Hamilton Spectator*, 14 January 2000.
[21] Joan Walters, "Private, for-profit university," *National Post*, 18 November 1999, A9.
[22] Ontario Council on University Affairs, *A Discussion Paper*, pp. 43-4.
[23] *Excellence, Accessibility, Responsibility*. Report of the Advisory Panel on Future Directions for Postsecondary Education. (The Ministry of Education and Training: Toronto, 1996), p. 44.
[24] On its website, Redeemer claims to be interdenominational and to represent over 30 different denominations in its students and staff.
[25] "Redeemer College expected to get right to grant degrees," *Hamilton Spectator*, 25 June 1998, A7.
[26] Steward Brown, "Redeemer College set to break new ground," *Hamilton Spectator*, 28 January 2000, A14.
[27] Peter Karmel, "Private Initiatives in Higher Education," p. 6.
[28] Peter Karmel, "Private Initiatives in Higher Education," p. 9.
[29] Council of Ontario Universities, *Ontario Universities – 1999: Resource Document*, December 1999, p. 89.
[30] See also J. Devereaux, S. Edsall and R. Martin, *Privatisation, Competition & Schools and Colleges*, (Australian Education Union: Southbank, 1996) p. 33.
[31] *Excellence, Accessibility, Responsibility*. p. 44.
[32] The classic example of a positive externality is a lighthouse, as there is no way to sell its good to some mariners and prevent others who so not pay from benefiting. A classic example of a negative externality is a polluting industrial factory, the market having no mechanism for imposing the associated costs of this pollution on the consumer of this factory's products.
[33] Ontario Council on University Affairs, *A Discussion Paper*, p. 28.

[34] Lara Bradley, "A tale of two school systems," *Sudbury Star*, 30 January 1999.
[35] Ontario Ministry of Training, Colleges and Universities, "Ontario Government strategy to reduce student loan defaults." Backgrounder, 26 January 2000.
[36] Daniel C. Levy, "'Private' and 'Public': Analysis Amid Ambiguity," p. 174.
[37] Ibid.
[38] Ontario Council on University Affairs, *A Discussion Paper*, p. 55.
[39] *Excellence, Accessibility, Responsibility*, p. 44.
[40] Ontario Council on University Affairs, *A Discussion Paper*, p. 10.
[41] *Hansard*, June 6, 1993, pp. 1422-23.
[42] Ibid., p. 1423.
[43] Joan Walters, "Private, for-profit university," *National Post*, 18 November 1999, A9.
[44] E.G. West, *Reforming the Universities*, p. 3.
[45] *Excellence, Accessibility, Responsibility*, p. 44.
[46] Chris Sarlo, "The University and the Corporation," *Fraser Forum*, April 1998.
[47] E.G. West, *Reforming the Universities*, pp. 28-29.
[48] *Excellence, Accessibility, Responsibility*, p. 44.
[49] Ontario Council on University Affairs, *A Discussion Paper*, pp. 67-72.
[50] Ontario. Ministry of Education and Training, Press Release, "Snobelen Appoints Advisory Panel on Future Directions for Postsecondary Education." July 16, 1996.
[51] Ontario. Advisory Panel on Future Directions for Postsecondary Education. Report: *Excellence, Accessibility, Responsibility*. (The Ministry: Toronto, 1996), p. 46.
[52] *Excellence, Accessibility, Responsibility*, p. 45.
[53] Roger L. Geiger, *Private Sectors in Higher Education: Structure, Function, and Change in Eight Countries*. (University of Michigan Press: Ann Arbor, 1986), p. 229.
[54] The Ontario Council on University Affairs *Discussion Paper* offers an excellent overview of the issues surrounding the question of accreditation and doubts about the efficacy of formal or voluntary accreditation bodies. pp. 37-41.
[55] *Excellence, Accessibility, Responsibility*, p. 45.